Sale of Government Equity in BALCO

1404. SHRIMATI SARLA MAHESHWARI: Will the Minister of FINANCE be pleased to state:

(a) whether M/s Sterlite has claimed the handing over of 49 per cent equity held by Government in BALCO as per agreement signed with Government;

(b) whether it is a fact that the assets of BALCO were highly undervalued to favour a private sector company;

(c) if so, whether the Government are considering a thorough probe into the deal; and

(d) if so, the reasons therefor?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI S.S. PALANIMANICKAM) : (a) Yes Sir, the Call Option available to the Strategic Partner, M/s Sterlite Industries (India) Ltd. (SIIL) to buy the Residual Shares of Government, including shares left over after offer of up to 5% out of the Residual Equity to employees is provided in the Shareholders Agreement entered into with the Strategic Partner at the time of disinvestment.

(b) to (d) Valuation of the shares to be disinvested was done by a professional Global Advisory transparently appointed through a process of open competitive bidding along with an Asset Valuer. The report of the Global Advisor and the Asset Valuer was considered by an Inter-Ministerial Valuation Committee. The recommendations of the Inter-Ministerial Valuation Committee were considered and approved by the Government. Valuation was done using four standard methodologies. The financial bids were invited but kept confidential prior to determination of the Reserve Price. This system ensured that the financial bid and the Reserve price were not influenced by each other. In the case of BALCO, 100% of the Equity was valued at Rs. 1008.6 crores. Accordingly, since only 51% Equity was being sold, the Reserve Price was fixed at Rs. 514.4 crores for 51% Equity. The bid of M/s SIIL for Rs. 551.5 crores, being the higher of the two financial bids received, was approved by the Government. The procedures adopted for the disinvestment of BALCO have been reviewed and upheld by the Hon'ble Supreme Court in its judgement dated 10th December, 2001.